Agriculture and Agri-Food Canada | Agriculture et Agroalimentaire Canada

AGRICULTURE AND AGRI-FOOD CANADA

Quarterly Financial Report
For the quarter ended September 30, 2014

Canada

AGRICULTURE AND AGRI-FOOD CANADA

Statement outlining results, risks and significant changes in operations, personnel and programs

Introduction

Agriculture and Agri-Food Canada's Quarterly Financial Report (QFR) should be read in conjunction with the Main Estimates for the current year, as well as Canada's Economic Action Plan 2014 (Budget 2014). This report has been prepared as required by section 65.1 of the ***Financial Administration Act*** and in the form and manner prescribed by the Treasury Board. As such, it also has not been subject to an external audit or review.

Detailed information on Agriculture and Agri-Food Canada's (AAFC) program activities can be found in the Report on Plans and Priorities.

Basis of Presentation

This quarterly report has been prepared using an expenditure basis of accounting. The accompanying Statement of Authorities includes the department's spending authorities granted by Parliament and those used by the department consistent with the Main Estimates for the 2014-2015 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before monies can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

The department uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

Highlights of fiscal quarter and fiscal year to date (YTD) results

Authorities

AAFC's QFR reflects the results of the current fiscal period ended September 30, 2014, for which full supply of Main Estimates was released on June 20, 2014.

AAFC continues to undergo transformational change so that it is well positioned to continue to achieve excellence in policy development and advice, program delivery and scientific expertise in Canada's agricultural sector.

At the end of the second quarter of 2014-2015, AAFC had total funding available for use of $2,299.4 million as detailed in Table 1. This amount includes the 2014-2015 Main Estimates, Operating and Capital Budget Carry Forward (OBCF and CBCF) from 2013-2014 and $9.4 million related to proceeds collected from the sale of Crown assets. The decrease of $168.3 million compared to AAFC's total authorities at the same time in fiscal year 2013-2014 is mainly due to reductions in Vote 1 Net Operating Expenditures and Vote 10 Grants and Contributions.

Vote 1 Net Operating authorities as of September 30, 2014 totalled $577.5 million, a decrease of $62.1 million from the September 30, 2013 amount of $639.6 million. This reduction is primarily due to Budget 2012 Implementation and the ending of the AgriFlexibility Program in 2014-2015. The reduction was offset by $32.6 million, because of the inclusion of the Operating Budget Carry Forward in the second quarter (compared to the third quarter in 2013-2014).

Vote 5 Capital authorities at the end of the second quarter of 2014-2015 totalled $32.1 million, an increase of $4.2 million compared to the same quarter in 2013-2014. This is due to the inclusion of the Capital Budget Carry Forward in the second quarter (compared to the third quarter in 2013-2014).

Vote 10 Grants and Contributions authority available for use as of September 30, 2014 of $365.4 million reflects a net decrease of $81.5 million from $446.9 million at the same time in 2013-2014. The decrease is in large part due to reduced funding for the Canadian Wheat Board's Transition Costs Program which had larger amounts of funding in its first two years (2012-2013 and 2013-2014). The remainder of the decrease is a result of the reduction in Canadian Agricultural Adaptation Program (CAAP) funding and the completion of the AgriFlexibility Program.

Budgetary Statutory authorities available as at September 30, 2014, were $1,324.4 million, a decrease of $28.9 million from the September 30, 2013 amount of $1,353.3 million. This decrease reflects a revised forecast for the Advance Payments Program under the *Agricultural Marketing Programs Act* due to lower than expected interest rates in addition to lower than

expected default rates. The remainder is a result of a decrease in planned contributions to employee benefit plans resulting from a decline in the number of full-time equivalents (FTEs).

Graph 1: Comparison of Authorities Available for Use

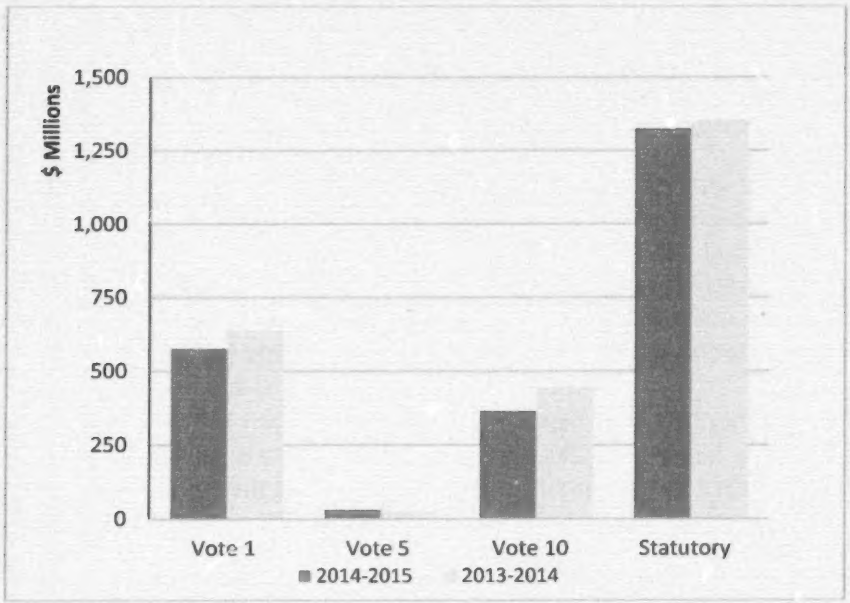

Table 1: Authorities Available for Use (In thousands of dollars) (1)

Authorities	2014-15	2013-14	Variances	%
Vote 1 - Net Operating expenditures	577,523	639,591	(62,068)	(10%)
Vote 5 - Capital expenditures	32,095	27,872	4,223	15%
Vote 10 - Grants and contributions	365,352	446,925	(81,573)	(18%)
Budgetary statutory authorities	1,324,428	1,353,343	(28,915)	(2%)
Total Authorities	**2,299,398**	**2,467,731**	**(168,333)**	**(7%)**

Note:
(1) Totals may not add due to rounding.

Expenditures

As detailed in Table 2, at the end of the second quarter of 2014-2015, the department had spent $546.1 million, compared to $645.4 million for the same period in fiscal year 2013-2014. The net decrease of $99.3 million (15%) is related to reduced grant payments for the AgriInvest program, and a decrease in payments in connection with the *Agricultural Marketing Programs Act*. The remainder of the decrease can be attributed to a decline in payments for liquidation of severance pay and salaries.

Vote 1 Net Operating expenditures at the end of the second quarter were $263.0 million, which is 46% of the total $577.5 million available for use. This is $36.5 million lower than the same period last fiscal year (when $299.5 million was spent, which was 47% of the total of $639.6 million available for use). The decrease in net expenditures is a result of reduced costs associated with payments for liquidation of severance pay, as well as lower payments in salaries due to fewer FTEs in 2014-2015, compared to the same period in 2013-2014.

Vote 5 Capital expenditures at the end of the second quarter were $4.0 million or 12% of the total of $32.1 million available for use. Compared to the same period in 2013-2014 ($5.1 million or 18% of the budget of $27.9 million), the slight decrease of $1.1 million is due to the timing of payments rather than changes in spending patterns.

Vote 10 Grants and Contributions expenditures at the end of the second quarter of 2014-2015 were $47.9 million or 13% of the total of $365.4 million available for use. The previous year's spending was $50.1 million or 11% of the total of $446.9 million available for use. Historically, much of the department's Grants and Contributions expenditures are recorded close to year-end when provinces make their claims based on actual expenditures.

Budgetary Statutory Authorities expenditures at the end of the second quarter of 2014-2015 were $231.2 million compared to $290.8 million for the same period previous year. The decrease in spending of $59.6 million is partly related to reduced payments under the AgriInvest Program, due to the lower matching contribution, and partly related to a decrease in payments under the *Agricultural Marketing Programs Act*, due to a change to the timing for recording amounts related to files that have been received but not yet verified.

Graph 2: Comparison of Expenditures

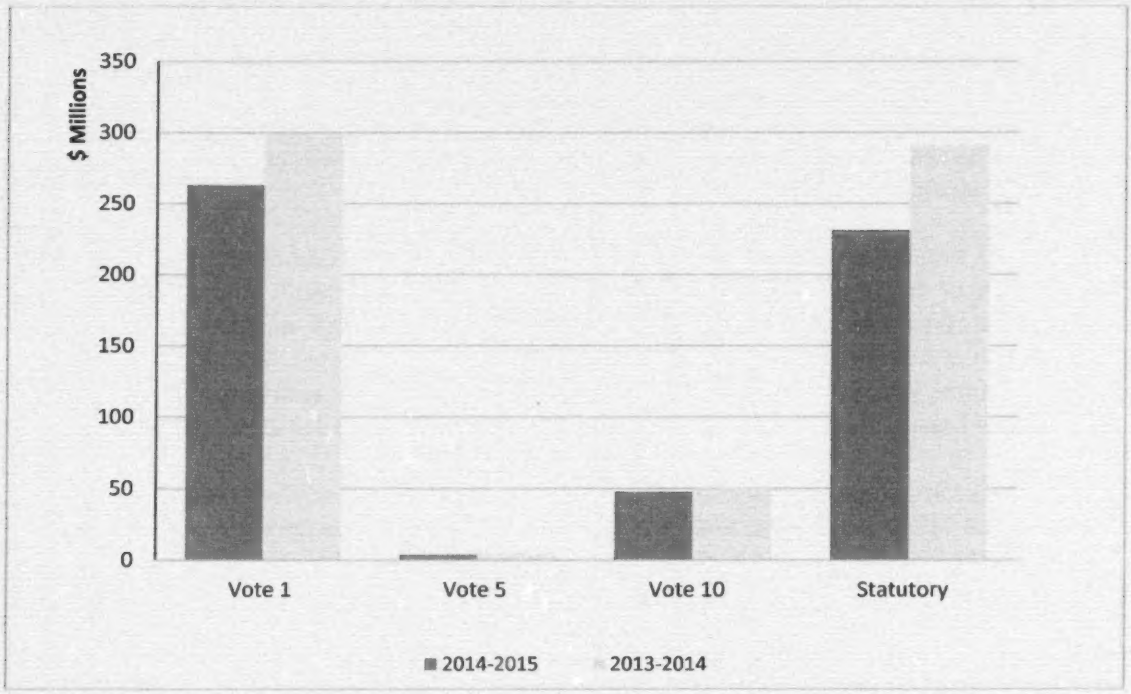

Table 2: Expenditures (In thousands of dollars) (1)

Expenditures	2014-15	2013-14	Variances	%
Vote 1 - Net Operating expenditures	263,016	299,504	(36,488)	(12%)
Vote 5 - Capital expenditures	4,012	5,067	(1,055)	(21%)
Vote 10 - Grants and contributions	47,941	50,085	(2,144)	(4%)
Budgetary statutory authorities	231,177	290,765	(59,588)	(20%)
Total Net Budgetary Expenditures	**546,146**	**645,421**	**(99,275)**	**(15%)**

Note:
(1) Totals may not add due to rounding.

Expenditures in Comparison to Authorities

At the end of the second quarter of 2014-2015, the department had spent $546.1 million (24% of the total funding available for use), compared to $645.4 million for the same period in fiscal year 2013-2014 (26% of the authorities).

Graph 3: Comparison of Total Authorities and Total Net Budgetary Expenditures as of September 30, for fiscal years 2014-2015 and 2013-2014

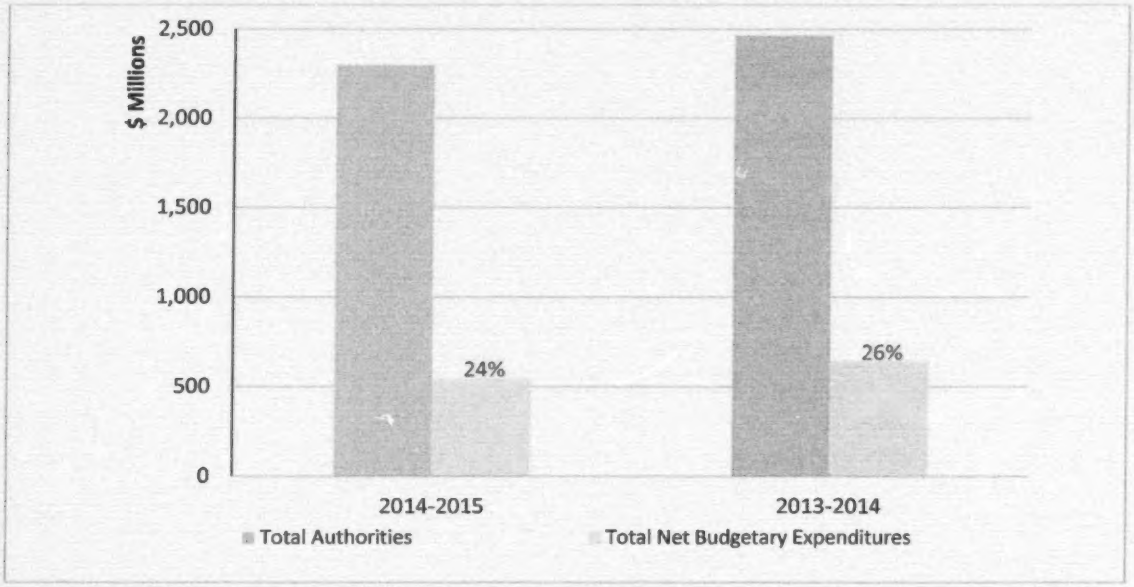

Table 3 presents budgetary expenditures by standard object. The main variance in expenditures between 2014-2015 and 2013-2014 by standard object is in transfer payments, with a decrease of $57.8 million or 19%, of which the majority is related to the statutory expenditure decrease as previously noted for the AgriInvest Program, *Agricultural Marketing Programs Act* and Canadian Wheat Board Transition Program. For personnel, the decrease of $44.7 million is mainly a result of reduced costs associated with payments for liquidation of severance pay, as well as lower payments in salaries due to fewer FTEs. The increase of $12.5 million for other subsidies and payments is mainly due to a one-time transition payment of $13.8 million for implementing salary payment in arrears by the Government of Canada. For the other standard objects, variances compared to the second quarter of 2013-2014 reflect timing of payments rather than significant changes in spending patterns.

AAFC has total Revenue Spending authority of up to $65.5 million for 2014-2015. The revenue is generated from collaborative research agreements between AAFC and third parties, the grazing

and breeding activities of the Community Pastures Program, the administration of the AgriStability Program, as well as recoveries for costs related to Internal Support Services provided to other departments. The department has generated $28.4 million in revenues up to the end of the second quarter of 2014-2015 compared to $20.8 million for the same period last year. The revenue increase of $7.6 million is a result of an increase in the number of research collaborative agreements under the AgriInnovation Program of *Growing Forward 2 (GF2)*, compared to 2013-2014, as well as from a new Services Agreement with Environment Canada for the provision of Internal Services.

Table 3: Budgetary Expenditures by Standard Object (In thousands of dollars) (1)

Expenditures	2014-15	2013-14	Variances	%
Personnel	244,312	289,056	(44,744)	(15%)
Transportation and communications	4,070	5,543	(1,473)	(27%)
Information	1,480	1,593	(113)	(7%)
Professional and special services	35,190	35,727	(537)	(2%)
Rentals	1,228	1,280	(52)	(4%)
Repairs and maintenance	6,566	5,518	1,048	19%
Utilities, materials and supplies	13,575	12,567	1,008	8%
Acquisition of land, buildings and works	851	1,342	(491)	(37%)
Acquisition of machinery and equipment	5,112	6,216	(1,104)	(18%)
Transfer payments	245,105	302,932	(57,827)	(19%)
Other subsidies and payments	17,013	4,491	12,522	279%
Total Gross Budgetary Expenditures	**574,502**	**666,265**	**(91,763)**	**(14%)**
Less: Revenues netted against expenditures	28,356	20,844	7,512	36%
Total Net Budgetary Expenditures	**546,146**	**645,421**	**(99,275)**	**(15%)**

Note:
(1) Totals may not add due to rounding.

Risks and Uncertainties

AAFC is adjusting its operations to align with changes in actual funding levels. There are several factors that are impacting the level of resources, including the ending of the AgriFlexibility Program, the Budget 2014 Operating Budget Freeze, and the *Growing Forward 2 (GF2)* emphasis on funding for innovation and to help the industry to compete more effectively in domestic and global markets.

Significant changes in relation to operations, personnel and programs

Operations

In addition to Budget 2012 Implementation activities discussed below, in May 2013, AAFC announced further changes which continued its transformation agenda and identified efficiencies to allow it to operate within a reduced budget envelope and with fewer FTEs in future years.

In line with the transformation initiatives already underway, those changes include: adjusting the way we deliver internal services to find further efficiencies; reducing management layers and streamlining functions within the organization; focusing what we do on the global stage to generate market growth; and consolidating expertise to focus our science and research on the highest priorities for the sector's success.

Personnel and programs

There have been no significant changes in relation to personnel and programs in this quarter.

Budget 2012 Implementation

This section provides an overview of the savings measures announced in Budget 2012 that are being implemented in order to refocus government and programs; make it easier for Canadians and business to deal with their government; and, modernize and reduce the back office.

AAFC has achieved annual savings of $253.2[1] million by realigning its business in the following ways:

- Advancing our service excellence agenda, by consolidating all programs into a single Programs Branch.
- Establishing a new Science and Technology Branch by putting together our research, science and environmental efforts, to better facilitate innovation, technology transfer and adoption.
- Achieving greater policy integration across the department to improve our advice and analysis.
- Aligning programs and services to meet priorities.

[1] The achieved annual savings of $253.2 million by 2014-2015 is the total savings of $252.8 million for AAFC, as well as $0.1 million for the Canada Agricultural Review Tribunal (CART) and $0.3 million for Farm Products Council of Canada (FPCC).

- Continuing to look at ways with our provincial and territorial partners to improve farm income programming.

This approach builds on steps already taken by AAFC to help position itself to meet its future goals and priorities while contributing to the Government of Canada's return to a balanced budget.

Approval by Senior Officials
Approved by:

Andrea Lyon, Deputy Head

Ottawa, Canada

November 17, 2014

Pierre Corriveau, Chief Financial Officer

AGRICULTURE AND AGRI-FOOD CANADA

Statement of Authorities *(unaudited)*

For the quarter ended September 30, 2014

(In thousands of dollars)

	Fiscal year 2014-2015 [1]			Fiscal year 2013-2014 [1]		
	Total available for use for the year ending March 31, 2015 [2]	Used during the quarter ended September 30, 2014	Year to date used at quarter-end	Total available for use for the year ended March 31, 2014 [2]	Used during the quarter ended September 30, 2013	Year to date used at quarter-end
Vote 1 - Net Operating expenditures	$ 577,523	$ 122,323	$ 263,016	$ 639,591	$ 158,712	$ 299,504
Vote 5 - Capital expenditures	32,095	2,799	4,012	27,872	3,636	5,067
Vote 10 - Grants and contributions	365,352	35,835	47,941	446,925	30,330	50,085
Budgetary statutory authorities [3]	1,324,428	190,936	231,177	1,353,343	222,567	290,765
Total Budgetary authorities	2,299,398	351,893	546,146	2,467,731	415,245	645,421
Total authorities	$ 2,299,398	$ 351,893	$ 546,146	$ 2,467,731	$ 415,245	$ 645,421

Notes:

(1) Totals may not add due to rounding.
(2) Includes only Authorities available for use and granted by Parliament at quarter-end.
(3) Details on Budgetary statutory authorities are included in Appendix A.

AGRICULTURE AND AGRI-FOOD CANADA

Departmental budgetary expenditures by Standard Object *(unaudited)*

For the quarter ended September 30, 2014

(In thousands of dollars)

	Fiscal year 2014-2015[1]			Fiscal year 2013-2014[1]		
	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended September 30 , 2014	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended September 30, 2013	Year to date used at quarter-end
Expenditures:						
Personnel	$ 494,738	$ 119,866	$ 244,312	$ 552,291	$ 154,179	$ 289,056
Transportation and communications	14,326	2,499	4,070	22,835	3,288	5,543
Information	7,658	820	1,480	7,799	935	1,593
Professional and special services	120,613	20,477	35,190	117,498	21,242	35,727
Rentals	4,856	393	1,228	4,581	894	1,280
Repair and maintenance	18,967	3,371	6,566	25,910	3,227	5,518
Utilities, materials and supplies	49,732	7,457	13,575	50,161	6,842	12,567
Acquisition of land, buildings and works	4,636	448	851	4,646	582	1,342
Acquisition of machinery and equipment	27,860	2,946	5,112	23,226	2,644	6,216
Transfer payments	1,610,636	209,217	245,105	1,712,871	233,219	302,932
Other subsidies and payments	10,856	1,812	17,013	12 184	2,504	4,491
Total gross budgetary expenditures	2,364,878	369,306	574,502	2,534,002	429,556	666,265
Less Revenues netted against expenditures:						
Vote-netted revenues	65,480	17,413	28,356	66,271	14,311	20,844
Total Revenues netted against expenditures	65,480	17,413	28,356	66,271	14,311	20,844
Total net budgetary expenditures	$ 2,299,398	$ 351,893	$ 546,146	$ 2,467,731	$ 415,245	$ 645,421

Note:

(1) Totals may not add due to rounding.

AGRICULTURE AND AGRI-FOOD CANADA

Budgetary Statutory Authorities Breakdown *(unaudited)*

For the quarter ended September 30, 2014

(*In thousands of dollars*)

APPENDIX A

	Fiscal year 2014-2015 [1]			Fiscal year 2013-2014 [1]		
	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended September 30, 2014	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended September 30, 2013	Year to date used at quarter-end
Contributions to employee benefit plans	$ 69,625	$ 17,406	$ 34,812	$ 81,836	$ 19,159	$ 38,317
Minister of Agriculture and Agri-Food - Salary and motor car allowance	80	20	40	79	19	39
Contribution payments for the AgriStability program	219,300	(12,649)	(15,339)	219,300	160	(8,459)
Contribution payments for the AgriInsurance program	640,800	116,311	118,719	640,800	99,346	105,559
Grant payments for the AgriInvest program	126,200	58,839	83,679	126,200	77,797	117,201
Payments in connection with the *Agricultural Marketing Programs Act*	65,900	8,148	7,931	94,000	22,455	36,350
Grant payments for the AgriStability program	41,000	(752)	(1,370)	41,000	(1,468)	(3,679)
Contribution payments for the AgriInvest program	17,500	4,737	5,039	17,500	4,748	6,360
Loan guarantees under the *Canadian Agricultural Loans Act*	13,111	18	(47)	13,111	(12)	(19)
Canadian Cattlemen's Association Legacy Fund	2,860	-	-	2,500	-	-

AGRICULTURE AND AGRI-FOOD CANADA

Budgetary Statutory Authorities Breakdown *(unaudited)*

For the quarter ended September 30, 2014

(*In thousands of dollars*)

APPENDIX A

	Fiscal year 2014-2015 [1]			Fiscal year 2013-2014 [1]		
	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended September 30, 2014	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended September 30, 2013	Year to date used at quarter-end
Contributions in support of the Assistance to the Pork Industry Initiative	-	(677)	(677)	635	-	-
Grants to agencies established under the *Farm Products Agencies Act*	100	-	-	100	-	-
Contribution payments for the Agricultural Disaster Relief Program (ADRP)/AgriRecovery	118,513	-	-	110,800	93	139
Grant payments for the Agricultural Disaster Relief Program (ADRP)/AgriRecovery	-	-	-	-	13	13
Canadian Pari-Mutuel Agency Revolving Fund	34	(714)	(1,946)	(421)	(432)	(1,647)
Spending of Amounts Equivalent to Proceeds from Disposal of Surplus Moveable Crown Assets	9,405	842	1,105	5,904	931	1,204
Grant payments for the AgriInvest Kickstart program	-	(9)	(24)	-	-	(3)
Contribution payments for the AgriInvest Kickstart program	-	-	(6)	-	-	-
Refunds of amounts credited to revenues in previous years	-	-	1	-	-	4
Contributions for agricultural risk management - Enhanced Spring Credit Advance program Business Risk Management	-	(188)	(320)	-	(143)	(340)
Class grant payments for the Transitional Industry Support program	-	(1)	(3)	-	(5)	(6)

AGRICULTURE AND AGRI-FOOD CANADA

Budgetary Statutory Authorities Breakdown *(unaudited)*

For the quarter ended September 30, 2014

(In thousands of dollars)

APPENDIX A

	Fiscal year 2014-2015 [1]			Fiscal year 2013-2014 [1]		
	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended September 30, 2014	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended September 30, 2013	Year to date used at quarter-end
Class grant payments for the Farm Income program	-	-	-	-	(1)	(3)
Grant payments for the Canadian Agricultural Income Stabilization program Inventory Transition Initiative	-	(15)	(35)	-	(39)	(98)
Contribution payments for the Canadian Agricultural Income Stabilization program Inventory Transition Initiative	-	(374)	(374)	-	(49)	(156)
Grants in support of the Grain and Oilseed Payment program	-	(6)	(7)	-	(4)	(10)
Grants in support of the Cost of Production Benefit	-	-	(1)	-	(1)	(1)
Budgetary statutory authorities	$ 1,324,428	$ 190,936	$ 231,177	$ 1,353,343	$ 222,567	$ 290,765

Note:

(1) Totals may not add due to rounding.